

**2005-07
OPERATING &
CAPITAL BUDGET
HIGHLIGHTS**

**AS PASSED THE
LEGISLATURE**

**SENATE WAYS & MEANS COMMITTEE
APRIL 24, 2005**

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BALANCE SHEET

2005-07 Balance Sheet

RESOURCES

Beginning Balance	\$688.7
November Revenue Forecast	24,721.8
March 2005 - economic changes	438.3
March 2005 - court decisions	(274.8)
 Fund Transfers	232.9
Budget Driven Revenue	46.3
Suspend Property Tax Diversion	138.2
Revenue Package	171.1
Total Resources	\$26,518.7

APPROPRIATIONS

Total Appropriations	\$25,963.8
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RESOURCES

Ending Balance	\$198.6
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EXPENDITURE LIMIT

Expenditure Limit	\$26,075.0
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FUND TRANSFERS

Fund Transfers

(dollars in thousands)

Fund Name

PEBB Fund Balance	\$102,000
Health Services Account	\$45,000
Reduce GFS back fill to Water Quality	\$38,900
Tobacco Account Transfer	\$13,910
State Treasurer's Service Account	\$10,500
State Convention & Trade Center	\$10,300
Pollution Liability Insurance Program Trust	\$7,500
Dept of Retirement Systems Expense	\$2,000
Litter Account	\$2,000
Financial Svcs Regulation Account	\$1,557
DNR Equipment Fund	\$1,000
Flood Control Account	\$1,000
Secretary of State Revolving Account	\$500
State Toxics Account	\$0
Tourism Account (Olympics)	(\$300)
VRDE	(\$3,000)
 Total	 \$232,867

COMPENSATION

STATE EMPLOYEE COMPENSATION

EMPLOYEE HEALTH BENEFIT CHANGES - \$118.8 MILLION GENERAL FUND-STATE, \$89.9 MILLION OTHER FUNDS

The budget provides funding to limit the employee share of medical premiums to a maximum of 12 percent of the premium for state general government and higher education employees, provided that inflation does not exceed 11 percent per year. Premiums paid for employees who are represented by collective bargaining agreements are consistent with the agreement negotiated through the Governor's Office of Labor Relations.

For the remainder of state employees, only an 8.5 percent inflation rate was assumed. The Legislature expects that parity in benefits between represented and non-represented employees will be achieved through a combination of a lower actual inflation rate, reserves of \$20 million, and a supplemental, if necessary. Should actual inflation be higher than 11 percent, employees will be responsible for additional costs.

INCREASE SALARIES FOR REPRESENTED EMPLOYEES - \$106.3 MILLION GENERAL FUND-STATE, \$66.6 MILLION OTHER FUNDS

The budget provides funding for cost-of-living adjustments (COLAs) and other salary increases for represented employees as called for in the collective bargaining agreements reached by the Governor's Office of Labor Relations and the unions representing state employees in general government and higher education. Although the exact provisions vary between contracts, most include COLAs of 3.2 percent on July 1, 2005 and 1.6 percent on July 1, 2006. The contracts also call for salary increases for job classifications identified as being compensated at a level more than 25 percent below the market rate in the Department of Personnel's 2002 Salary Survey.

INCREASE SALARIES FOR NON-REPRESENTED EMPLOYEES - \$91.0 MILLION GENERAL FUND-STATE, \$74.6 MILLION OTHER FUNDS

The budget provides funding for cost-of-living adjustments (COLAs) of 3.2 percent on September 1, 2005 and 1.6 percent on September 1, 2006 for non-represented employees in general government and higher education. Funding is also provided for salary increases for job classifications identified as being compensated at a level more than 25 percent below the market rate in the Department of Personnel's 2002 Salary Survey.

REDUCTIONS

PENSION FUNDING CHANGES - \$325.3 MILLION GENERAL FUND-STATE, \$61.5 MILLION OTHER FUNDS

The budgeted funding levels for employer contributions to the Public Employees' Retirement System (PERS), the Teachers' Retirement System (TRS), and the School Employees' Retirement System (SERS) are adjusted consistent with Substitute House Bill 1044 (pension funding methodology). Contributions towards the cost of future gainsharing benefits in plans 1 and 3 of PERS, TRS, and SERS are suspended for the 2005-07 biennium, as are contributions towards the unfunded liabilities in PERS 1 and

TRS 1. The Select Committee on Pension Policy will study gainsharing during fiscal year 2005. A phased-in schedule of contribution rates is adopted for PERS, TRS, and SERS as described in the following chart.

Employee Contribution Rates

	2006	2007
PERS 2	2.25%	3.50%
TRS 2	2.48%	3.00%
SERS 2	2.75%	3.75%

K-12 COMPENSATION

INCREASE SALARIES FOR SCHOOL EMPLOYEES - \$139.0 MILLION GENERAL FUND-STATE, \$0.60 MILLION GENERAL FUND-FEDERAL

The budget provides a cost-of-living adjustment (COLA) as required by Initiative 732. Specifically, funding is provided for a COLA of 1.2 percent for the 2005-06 school year and 1.7 percent for the 2006-07 school year.

HEALTH BENEFIT CHANGES - \$126.2 MILLION GENERAL FUND-STATE, \$0.4 MILLION GENERAL FUND-FEDERAL

The budget provides funding to increase the K-12 monthly benefit rate from \$582.47 per employee in the 2004-05 school year to \$629.07 in the 2005-06 school year and \$679.39 in the 2006-07 school year. The increases in the K-12 funding rates correspond to similar increases in the state employee rates. The Senate budget included language indicating Legislative intent to appropriate additional funds for school district health benefit allocations if necessary to cover the cost of inflation, up to a maximum of 11 percent. This provision was not included in the conference budget agreement. However, the chair of the Senate Committee on Ways and Means, Senator Margarita Prentice, in a floor colloquy discussing the conference budget proposal, stated that it was the legislative intent to appropriate sufficient funds in a supplemental budget, if necessary, to carry out this policy.

FUNCTIONAL AREAS OF GOVERNMENT

HIGHER EDUCATION

NEW ENROLLMENTS

INCREASE GENERAL ENROLLMENTS - \$72.5 MILLION GENERAL FUND-STATE AND EDUCATION LEGACY TRUST ACCOUNT-STATE

The budget provides funds to increase the capacity of colleges and universities by 7,900 general enrollments. At the community and technical colleges 4,185 new enrollments are added and an annual general fund-subsidy of \$5,400 per student is assumed. At the research and comprehensive institutions 4,185 new enrollments are added and a general fund-subsidy of \$6,303 is assumed for undergraduates and a \$15,000 subsidy is assumed for graduate students. Of the new enrollments at the 4-year institutions, 600 upper division enrollments are added at UW-Tacoma, UW-Bothell and WSU-Vancouver at a subsidy of \$9,000 per student. In addition, 475 lower division enrollments are added at Bothell, Tacoma, Vancouver and WSU-Tri-Cities.

EXPAND ADULT BASIC EDUCATION - \$4.0 MILLION EDUCATION LEGACY TRUST ACCOUNT-STATE

The budget provides funding to strengthen and expand Adult Basic Education programs at the community and technical colleges.

VETERINARY MEDICINE - \$1.5 MILLION EDUCATION LEGACY TRUST ACCOUNT-STATE

The budget provides funding to replace the loss of funds as a result of Oregon State University's termination of its contract with Washington State University's Doctor of Veterinary Medicine program.

FINANCIAL AID

EXPAND THE STATE NEED GRANT - \$69.7 MILLION GENERAL FUND-STATE AND EDUCATION LEGACY TRUST ACCOUNT-STATE

The budget expands financial eligibility for the state need grant from 55 percent of the State's median family income (MFI), approximately \$36,300 per year for a family of four, to 65 percent of the MFI, approximately \$43,300 per year for a family of four. This represents an expansion of service to the most Washington residents ever and is the first expansion of the eligibility cut-off for low income families since the program was established in 1969. The budget also provides funding to cover the impact of tuition increases and new state-funded enrollments.

ELIMINATE THE PROMISE SCHOLARSHIP - \$12.7 MILLION GENERAL FUND-STATE SAVINGS

The budget eliminates funding for the Promise scholarship; the last grant recipients are the 2004 high school graduates. Savings of \$12.7 million are directed to expand the state need grant.

**INCREASE STATE WORK STUDY AND WASHINGTON SCHOLARS - \$3.3 MILLION
GENERAL FUND-STATE AND EDUCATION LEGACY TRUST ACCOUNT-STATE**

The budget increases funding for the State Work Study program by \$2.8 million and the Washington Scholars program by \$435,000 to reflect increases in tuition and new enrollments. In academic year 2006-07, the Washington Scholars program will decrease from 3 students to 2 students from each legislative district.

COMPENSATION

In addition to the changes described on page 3, the following enhancements are provided:

INITIATIVE 732 COLA - \$10.9 MILLION GENERAL FUND-STATE

The budget provides funding for a cost-of-living adjustment at the consumer price index of 1.2 percent in FY 2006 and 1.7 percent in FY 2007 for eligible faculty and classified staff at the community and technical colleges.

COMMUNITY COLLEGE FACULTY INCREMENT - \$4.5 MILLION EDUCATION LEGACY TRUST ACCOUNT-STATE

The budget combines state funds and salary turnover savings authority to help community and technical colleges fund increments awarded to full-time faculty.

PART-TIME FACULTY EQUITY PAY - \$4.5 MILLION EDUCATION LEGACY TRUST ACCOUNT-STATE

The budget provides funding to partially address salary equity for part-time instructors at the 34 community and technical colleges.

TUITION

Governing boards will decide the appropriate level of tuition for most students, except resident undergraduates. For resident undergraduates, the Legislature authorizes the following annual increases in tuition over the rates charged by the institution in the previous academic year: seven percent a year at the research institutions, six percent a year at the comprehensive institutions and The Evergreen State College, and five percent a year at the community and technical colleges.

REDUCTIONS

FACILITY PRESERVATION - \$67.0 MILLION GENERAL FUND-STATE SAVINGS

In addition to the fund transfer that occurred in the 2003-05 biennial budget, the budget transfers an additional \$15 million of the maintenance and operations budget for the higher education institutions from the general fund to the education construction account in the capital budget.

REDUCE UNIVERSITY AND COLLEGE OPERATING APPROPRIATIONS - \$16.6 MILLION GENERAL FUND-STATE SAVINGS

The budget reduces general fund expenditures by \$16.6 million, representing 25 percent of the increased tuition revenue attributable to resident undergrads that the institutions may expect in the 2005-07 biennium.

REDUCE NON-INSTRUCTION PROGRAMS - \$10.3 MILLION GENERAL FUND-STATE SAVINGS

The budget makes a 1 percent general fund-state reduction to all non-instruction programs.

MISCELLANEOUS

UW TACOMA AUTISM CENTER - \$0.7 MILLION GENERAL FUND-STATE

The budget provides funding to maintain an Autism Center at the University of Washington (UW) Tacoma campus. The facility will continue to operate as a satellite facility to the Autism Center at the UW Medical Center in Seattle.

COLLEGE READINESS STANDARDS FOR ENGLISH AND SCIENCE - \$0.6 MILLION GENERAL FUND-STATE

The budget provides funding for the Higher Education Coordinating Board to develop college readiness standards in English and science. Standards ease articulation among sectors of the state's education system.

KOREAN STUDIES ENDOWED CHAIR - \$0.5 MILLION GENERAL FUND-STATE

The budget provides one-time funding to establish an endowed chair in Korean studies at the University of Washington, Seattle.

NORTHWEST AUTISM CENTER - \$0.43 MILLION GENERAL FUND-STATE

The budget provides funding through Eastern Washington University for the Northwest Autism Center to provide community-based approaches to assisting children and adults with autism spectrum disorder. The funding is also for the establishment of a preschool at EWU to serve children identified with autism spectrum disorder.

JEFFERSON COUNTY PILOT PROJECT - \$0.4 MILLION GENERAL FUND STATE

The budget provides funding to continue a demonstration project to increase opportunities and participation in post-secondary education in rural areas of Jefferson County.

GHOST SHRIMP RESEARCH - \$0.4 MILLION GENERAL FUND STATE

The budget provides funding for Washington State University to research alternatives for controlling ghost shrimp in Willapa Bay.

Legislative Budget for Higher Education
Near General Fund-State in Thousands
(Includes Education Legacy Trust Account)

	<u>Amount</u>
2003-05 Estimated Expenditures	\$2,695,678
<i>Carryforward and Maintenance Changes</i>	<i>\$97,176</i>
<u>Compensation</u>	
COLA-Nonrepresented	\$60,979
Health Care Benefits	50,070
Pension Rate Changes	24,030
Salary Surveys	13,088
Collective Bargaining Agreements	11,043
Initiative 732 COLA	10,984
Pension Rate Savings	(18,376)
Faculty Increments	4,500
Part-Time Faculty Equity	4,500
Classification Revisions	547
Compensation	\$161,365
<u>Increases & Enhancements</u>	
General Enrollment Increases	\$72,571
State Need Grant	69,659
Adult Basic Education	4,000
State Work Study	2,856
Other	1,628
Veterinary Medicine	1,521
Operating Costs/Exist Capital Proj	6,144
UW-Tacoma Autism Center	700
English and Science College Readiness	600
Lower Division Planning Funds	550
Korean Studies Endowed Chair	500
Conditional Scholarships	500
Washington Scholars	435
NW Autism Center	425
Ghost Shrimp Research	400
Jefferson County Pilot Project	350
Burke Museum Outreach	292
Increases & Enhancements	\$163,131
<u>Reductions & Decreases</u>	
Tuition Rate Increase	(\$16,642)
Maintenance and Operations Shift	(14,999)
Terminate Promise Scholarship	(12,617)
Non-Instruction Reduction	(10,336)
General Inflation	(2,098)
WAVE Program	(49)
Reductions & Decreases	(\$56,741)
Total 2005-07 Budget	\$3,060,609
<i>Dollars Increase from 2003-05</i>	<i>\$364,931</i>
<i>Percentage Increase from 2003-05</i>	<i>13.5%</i>

2005-07 Biennial Budget
Higher Education New Enrollments
Student FTEs By Campus

	FY 2006	FY 2007	Total
UW-Seattle	180	180	360
UW-Tacoma	100	225	325
UW-Bothell	75	200	275
Total University of Washington	355	605	960
WSU-Pullman	215	215	430
WSU-Vancouver	125	325	450
WSU-Tri-Cities	0	25	25
Total Washington State University	340	565	905
Central Washington University	324	326	650
Eastern Washington University	324	326	650
The Evergreen State College	105	105	210
Western Washington University	170	170	340
Total Comprehensives	923	927	1,850
Total 4-Year	1,618	2,097	3,715
Community & Technical Colleges	2,050	2,135	4,185
Total New Enrollments	3,668	4,232	7,900

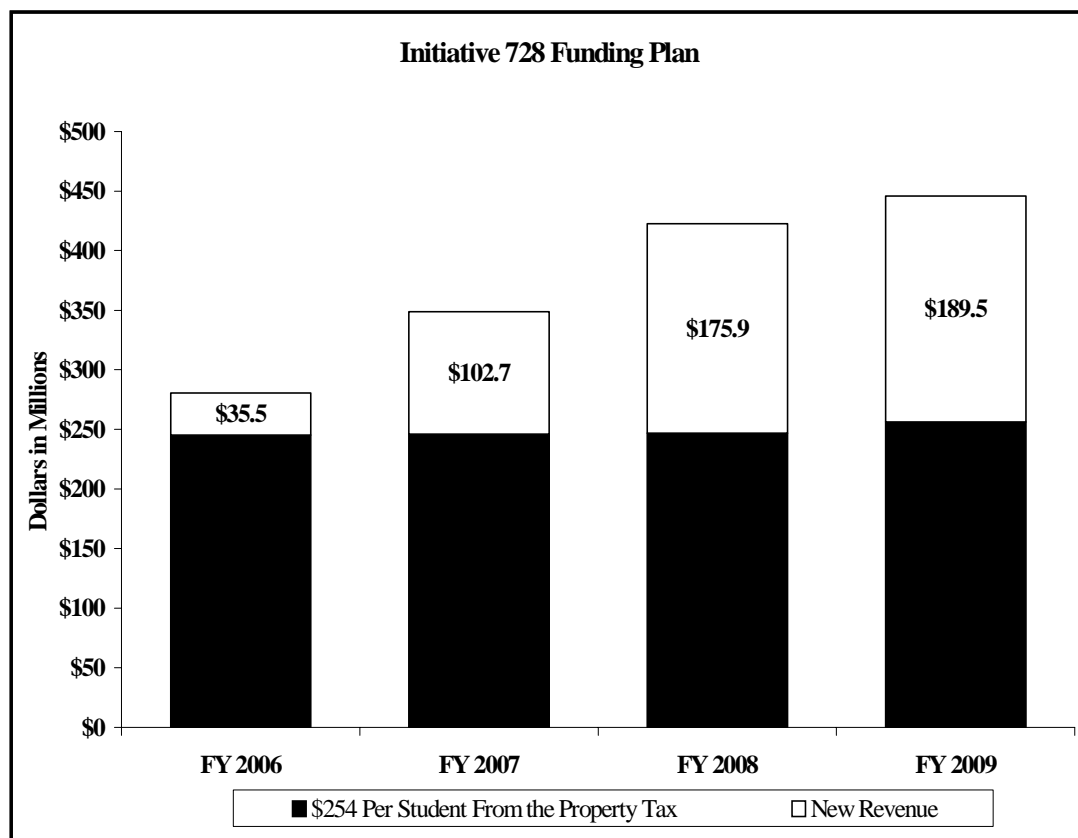
K-12 EDUCATION

INCREASES

INITIATIVE 728 STEP UP - \$138.2 MILLION STUDENT ACHIEVEMENT FUND-STATE

The Student Achievement Fund was authorized by voter approval of Initiative 728 in 2000. Districts use funds to lower class sizes by hiring more teachers and making necessary capital improvements, create extended learning opportunities for students, provide professional development for educators, and provide early childhood programs.

Under current law, the property tax transfers into the Student Achievement Fund will change from \$254 per student to \$300 per student in the 2005-06 school year and \$375 per student in the 2006-07 school year. Legislation passed this session maintains the property tax transfers into the Student Achievement Fund at \$254 per student but also dedicates a reconfigured estate tax and an increase in cigarette taxes to support the increased per student distributions.



EXPAND LEARNING ASSISTANCE PROGRAM - \$25.1 MILLION EDUCATION LEGACY TRUST ACCOUNT

With new revenue from restoration of the reconfigured estate tax and an increase in cigarette taxes, the Learning Assistance Program (LAP) funding formula is changed to recognize the learning and instructional challenges created by poverty. Districts will receive funding based on the percentage of students eligible for free or reduced price lunch. Districts with more than 40 percent of students eligible for free or reduced price

lunch will receive additional funding. Overall funding for the LAP program is increased to provide school districts with additional resources to serve high school students who have not met state standards on the 10th grade WASL. In addition, hold harmless funding is provided so that no district receives less under the new formula than it received in the 2004-05 school year.

ENHANCE SPECIAL EDUCATION SAFETY NET - \$18.9 MILLION GENERAL FUND-STATE, \$3.0 MILLION GENERAL FUND-FEDERAL

The budget increases funding for the special education safety net to reflect the impact of two rule changes. The application threshold for individual high cost students, based on services identified in individual education plans (IEPs), will increase to match the new federal definition of high cost. In addition, the current maintenance of effort requirement will be eliminated in the school district application form documenting financial need. This change will provide greater equity among districts and allow more districts to access the safety net grant process.

ADDITIONAL SPECIAL EDUCATION FUNDING - \$10.4 MILLION GENERAL FUND-STATE

School districts across the state have been voicing concerns over the resources available to serve special education students. State funding provided for special education students is increased by \$48 per student.

FUND SCIENCE ASSESSMENT - \$4.5 MILLION GENERAL FUND-STATE

In fiscal year 2006, there are insufficient federal funds to cover the federally-mandated reading and math assessments in grades 3, 5, 6, and 8 and to develop and implement a new science assessment, which will be required by the federal government in 2008. For this reason, the budget supports the costs to administer and score the Washington Assessment of Student Learning (WASL) for science with state funding.

ASSESSMENT SYSTEM CHANGES - \$3.2 MILLION GENERAL FUND-STATE

Chapter 19, Laws of 2004 (3ESHB 2195), while defining graduation requirements for 2008 to include demonstrated mastery of state standards, also provided policy support for multiple re-take test opportunities for students and the development of options for an objective alternative assessment. The budget provides funding for these next steps to fully implement the 2008 graduation requirement.

FOCUSED ASSISTANCE EXPANSION - \$2.0 MILLION GENERAL FUND-STATE

The budget provides funding to expand the Focused Assistance Program to high schools and districts. This funding will be matched by a private, non-profit foundation.

COMPREHENSIVE EDUCATION FINANCE STUDY - \$1.7 MILLION GENERAL FUND-STATE

The budget provides funding for Substitute Senate Bill 5441 (education study), which provides for comprehensive finance studies on early learning, K-12, and higher education. The legislation establishes a steering committee that will direct and coordinate the studies and develop recommendations. The steering committee is required to provide interim reports to the appropriate policy and fiscal committees of the Legislature by November 15, 2005 and June 16, 2006. The final report and recommendations of the steering committee shall be submitted by November 15, 2006.

STUDENT TRANSPORTATION AND SPECIAL EDUCATION EXCESS COST STUDIES - \$0.14 MILLION GENERAL FUND-STATE

The Joint Legislative Audit and Review Committee (JLARC) will examine the student transportation funding formula and, together with the State Auditor's Office, review special education excess cost accounting methodology. These two studies will provide information and recommendations that may be considered by the Education Finance Steering Committee.

OTHER K-12 ENHANCEMENTS AND INCREASES - \$6.2 MILLION GENERAL FUND-STATE

The budget also provides funding for a variety of smaller K-12 increases, including the following: a new computer system for calculating state allocations to school districts (\$1.9 million); incentive grants to encourage school districts to enroll higher numbers of students in vocational Skills Centers (\$1.2 million); expansion of mentor opportunities for students at 16 high schools which are part of the Washington Achievers Scholars program (\$1 million); the implementation of the Lorraine Wojahn pilot dyslexia reading program (\$677,000); the establishment of an Early Reading Grant Program for community-based initiatives that develop pre-reading and early reading skills (\$250,000); additional efforts at improving reading curriculum and instruction (\$250,000); and other small increases and enhancements.

REDUCTIONS

LEVY EQUALIZATION REDUCTION - \$12.9 MILLION GENERAL FUND-STATE SAVINGS

In the 2005-07 Biennium, levy equalization payments to school districts will be prorated at 95.63 percent. Local Effort Assistance, or levy equalization, allocations to school districts are expected to increase by \$12.3 million from the 2004-05 school year to the 2005-06 school year and by another \$5.6 million from the 2005-06 year to the 2006-07 school year.

SCHOOL BUS REPLACEMENT - \$6.5 MILLION GENERAL FUND-STATE SAVINGS

The final report on K-12 School Bus Bidding and Purchasing, issued by the Joint Legislative Audit and Review Committee in February 2005, noted that the present method for reimbursing districts for school bus purchases results in wide annual fluctuations in state payments to districts. To address this issue, the school bus depreciation payments will be based on a five-year average of prices for each bus category. In the final year on the depreciation schedule, the payment for a bus will be adjusted so that the total depreciation payments and assumed investment returns will be sufficient to replace the bus according to the current low bid price for that bus category. These changes provide additional stability and predictability for state expenditures and school district revenues, and maintain the current policy of providing the replacement value by the end of the depreciation payments.

REDUCE READING CORPS - \$5.7 MILLION GENERAL FUND-STATE SAVINGS

The budget reduces state funding for the Washington Reading Corps to \$1.7 million, which is sufficient for the state match needed to receive federal Ameri-Corps funds. The program provides state grants to assist in the coordination of reading tutors and volunteers.

OTHER NON-BASIC EDUCATION REDUCTIONS - \$1.9 MILLION GENERAL FUND-STATE SAVINGS

The budget makes a variety of reductions in non-basic education programs. These include: lowering the costs associated with the alternative certification routes which are alternatives to the traditional teacher preparation programs (\$1.1 million); eliminating funding for the Academic Achievement and Accountability Commission and associated staff positions (\$439,000), consistent with the provisions of SB 5732 (K-12 governance); and making administrative reductions in the Office of Superintendent of Public Instruction (\$394,000).

Conference Budget for K-12 Public Schools
State Funds in Thousands

	<u>Amount</u>
2003-05 Spending Level (After '04 Supp)	\$10,574,788
<u>Caseload & Compensation</u>	
Caseload and Other Increases*	\$436,084
Initiative 732 COLA	138,975
Health Benefit Changes	126,196
State Agency Compensation Changes	642
Pension Rate Increases*	352,226
Pension Rate Savings	(240,940)
Caseload & Compensation	\$813,183
<u>Increases & Enhancements</u>	
Student Achievement Fund I-728 Step Up*	\$138,238
Expand Learning Assistance Program	25,075
Special Education Safety Net	18,940
Special Education Funding	10,350
Science WASL	4,471
Assessment System Improvements	3,155
Focused Assistance Expansion	2,000
Apportionment and Financial Systems	1,900
Comprehensive Education Finance Study (E2SSB 5441)	1,741
Skills Center Incentive Grants	1,181
Washington Achievers Scholars	1,000
Dyslexia Pilot Program	677
Early Reading Grant Program	250
Reading Model Implementation	250
Environmental Education Coordination	156
Women's Role in World War II	150
CAS Minimum Salary Allocation \$45K	148
Transportation and Special Ed Studies (JLARC & State Auditor)	141
School Breakfast Programs (HB 1771)	106
Special Education Lawsuit	100
Principal Support Program	50
School Nurse Workgroup	45
Internet Safety	40
Increases & Enhancements	\$210,164
<u>Reductions & Decreases</u>	
Levy Equalization	(\$12,922)
School Bus Depreciation	(6,482)
Reading Corps	(5,726)
Alternative Routes to Teaching	(1,096)
Responsibilities of K-12 Boards (ESSB 5732)	(439)
Middle Management Reduction	(211)
General Inflation	(183)
Reductions & Decreases	(\$27,059)
Total 2005-07 Budget	\$11,571,076
<i>Dollar Increase from 2003-05</i>	<i>\$996,288</i>
<i>Percentage Increase from 2003-05</i>	<i>9.4%</i>

* These items are included in the maintenance level budget.

HEALTH CARE

INCREASES

MAINTAIN CURRENT MEDICAL ASSISTANCE SERVICES - \$647.0 MILLION STATE FUNDS, \$172.0 MILLION GENERAL FUND-FEDERAL

The budget includes a 21 percent increase in state funding in order to maintain current Medicaid eligibility and coverage policies. A little more than one-third of the expenditure increase is due to covering more people. An average of 900,000 persons per month are projected to receive Medicaid- and state-funded medical assistance coverage next biennium, compared to an average of 860,000 persons per month during the 2003-05 budget period. The number of persons covered is projected to grow 3.6 percent per year, about three times faster than total state population. About half of the increase is due to higher medical costs per person served, which are projected to grow about 3.4 percent per year next biennium. Almost all this share of the increase is due to increased service utilization or to the introduction of new, more expensive procedures, rather than to higher payment rates for existing services. The remaining 15 percent of the \$647 million increase in state-fund expenditures is due to the loss of federal financial assistance that was available on a one-time basis during the 2003-05 fiscal period.

MAINTAIN BASIC HEALTH PLAN ENROLLMENT AT 100,000 - \$44.0 MILLION HEALTH SERVICES ACCOUNT

The budget provides funding to cover the cost of projected medical inflation so that the Basic Health Plan can continue to provide subsidized insurance coverage for 100,000 low-income Washingtonians without reducing current benefit or subsidy levels.

MEDICAL ASSISTANCE PROVIDER RATE INCREASES - \$34.0 MILLION STATE FUNDS, \$27.1 MILLION GENERAL FUND-FEDERAL

Individuals and organizations who contract with the state to provide medical and dental services to medical assistance clients will receive a 1.0 percent cost-of-living increase in July 2005, and a second 1.0 percent increase in July 2006. Two groups will receive larger increases. Hospital rates will be increased by 1.3 percent, rather than by 1.0 percent, in July of each year. Rural family practice physicians will receive an additional \$194 per delivery in fiscal year 2006, and an additional \$410 per delivery in fiscal year 2007.

12-MONTH CHILDREN'S MEDICAL COVERAGE – \$32.6 MILLION STATE FUNDS, \$33.6 MILLION GENERAL FUND-FEDERAL

The budget provides funding to implement the Governor's directive that, beginning in May 2005, children's continued eligibility for state medical assistance will be reviewed annually, rather than every six months. Additionally, once determined eligible, children will remain eligible until their next annual review, rather than losing coverage if family income or circumstances change. These changes are expected to result in an average of approximately 25,000 children per month retaining state medical assistance coverage in fiscal year 2005.

MEDICAL COVERAGE FOR IMMIGRANT CHILDREN - \$12.9 MILLION STATE FUNDS

The budget provides funding for health care coverage for undocumented children whose families have incomes below 100 percent of the federal poverty level. The “state-only” program that provided medical and dental coverage was eliminated in October 2002, and enrollment was offered through the Basic Health program. It is anticipated that 8,750 children will be provided health care coverage through this program by the end of the biennium. The Department is directed to manage enrollment to keep program expenditures within the appropriated level.

PREMIUM-FREE CHILDREN'S MEDICAL COVERAGE - \$8.8 MILLION STATE FUNDS, \$9.2 MILLION GENERAL FUND-FEDERAL

The Department of Social and Health Services will continue to provide premium-free medical and dental coverage for children with family incomes between 150-200 percent of poverty, which is about \$1,900 to \$2,600 per month for a family of three. Such families were previously budgeted to pay premiums of \$10 per child, up to \$30 per month, beginning in July 2005.

DRUG PURCHASING CONSORTIUM – \$0.4 MILLION HEALTH SERVICES ACCOUNT, \$5.1 MILLION ENROLLMENT FEES

As provided in Senate Bill 5471, the Health Care Authority will organize a drug purchasing consortium that will include all state agencies and any private organization or uninsured state resident who chooses to join. By building upon the state's current evidence-based preferred drug list, the consortium is expected to leverage discounted prices by combining the purchasing power of consortium members. State funds are provided to cover the initial costs of designing and organizing the consortium. Ongoing operating costs are to be covered by enrollment fees charged to consortium participants.

ELECTRONIC MEDICAL RECORDS ADVISORY BOARD - \$0.3 MILLION HEALTH SERVICES ACCOUNT

As provided in Senate Bill 5064, the Health Care Authority will develop strategies for promoting adoption of electronic medical records and other health information systems that are interoperable, and consistent with national standards. The strategies are to be developed in consultation with an advisory board that includes health care professionals and information technology experts.

DECREASES**INCREASED REBATE COLLECTIONS AND RECOVERIES – \$7.1 MILLION STATE FUND SAVINGS, \$7.1 MILLION GENERAL FUND-FEDERAL SAVINGS**

Ten additional staff are provided to pursue collection of a backlog of disputed drug manufacturer rebates and audit recoveries.

MEDICAL EQUIPMENT AND SUPPLY COST MANAGEMENT – \$6.8 MILLION GENERAL FUND-STATE SAVINGS, \$6.8 MILLION GENERAL FUND-FEDERAL SAVINGS

The growth in expenditures on incontinence supplies, medical nutritional supplements, wheelchairs, special bed and bath equipment, and other medical supplies is to be reduced by five percent in fiscal year 2006, and by 10 percent in fiscal year 2007. This is to be accomplished through strategies such as selective contracting, reducing rates to better reflect the best available market price, and more stringent reviews of the initial and ongoing medical necessity of proposed purchases.

MANAGEMENT OF HIGH-UTILIZING PATIENTS – \$5.3 MILLION GENERAL FUND-STATE SAVINGS, \$5.3 MILLION GENERAL FUND-FEDERAL SAVINGS

An additional 1,500 medical assistance clients whose medical histories demonstrate a clear pattern of over-utilization and inappropriate use of medical services will be assigned a single primary care physician, pharmacy, and other medical providers from whom they may obtain services. Clients currently experiencing such assignments have shown a 48 percent decrease in emergency room use, a 41 percent decrease in office visits, and a 29 percent decrease in the number of prescriptions purchased.

REDUCE GRANT FUNDING TO COMMUNITY CLINICS – \$5.0 MILLION HEALTH SERVICES ACCOUNT SAVINGS

The grant assistance provided to low-income community clinics through the state Health Care Authority is reduced by 20 percent. Restoration of medical assistance coverage for undocumented immigrant children, and resumption of 12-month continuous eligibility for Medicaid children, reduces the need for such assistance.

ADDITIONAL DRUG COST MANAGEMENT – \$3.2 MILLION STATE FUND SAVINGS, \$2.7 MILLION GENERAL FUND-FEDERAL SAVINGS

Approximately 30 additional classes of drug will be added to the evidence-based prescription drug program. The preferred drug will be the least costly, equally effective drug identified through clinical evidence reviews.

DISCONTINUE "PHARMACY CONNECTIONS" – \$0.8 MILLION HEALTH SERVICES ACCOUNT SAVINGS

The Pharmacy Connections program was expanded in 2003 to assist low-income people learn about and apply for manufacturer drug discount programs for which they may be eligible. Drug manufacturers, in coordination with a number of local patient advocacy and assistance groups, have undertaken a broadly-publicized effort that provides a very similar service. Consequently, the state-funded effort is discontinued.

CHILDREN'S SERVICES

INCREASES

REFORM CHILD PROTECTIVE SERVICES / CHILD WELFARE SERVICES - \$10.2 MILLION GENERAL FUND-STATE, \$4.4 MILLION GENERAL FUND-FEDERAL

Child protective services (CPS) caseworkers currently carry cases for up to 90 days. This item includes funding \$14.6 million in total funding to reform the child protective services system and make improvements to in-home and out-of-home care. This funding adds 124 full time equivalent staff so that child protective services workers will conduct investigations quicker, visit children in out-of-home care at least every 30 days, and oversee an increased number of families who will participate in voluntary services agreements with the department.

MAINTAIN CRISIS RESIDENTIAL CENTERS - \$9.3 MILLION PUBLIC SAFETY AND EDUCATION ACCOUNT

Crisis residential centers, which offer services to at-risk adolescents by providing them a safe and secure placement, will continue at the 2003-05 spending level. The budget

provides funding through the Public Safety and Education Account at approximately \$4.7 million per year.

TARGETED VENDOR RATE INCREASE - \$5.6 MILLION GENERAL FUND-STATE; \$2.5 MILLION GENERAL FUND-FEDERAL; \$0.32 MILLION PUBLIC SAFETY AND EDUCATION ACCOUNT-STATE; \$0.02 VIOLENCE REDUCTION AND DRUG ENFORCEMENT ACCOUNT

The budget provides funding for a vendor rate increase of one percent on July 1, 2005 and one percent on July 1, 2006. Vendor rates increases were provided for family support services, adoption support, foster care, victim's assistance, pediatric interim care, and crisis residential centers.

ENHANCE CHILD WELFARE SERVICES - \$3.5 MILLION GENERAL FUND-STATE; \$1.5 MILLION GENERAL FUND-FEDERAL

Substitute Senate Bill 5922 modifies the threshold for screening and investigating child abuse cases to include circumstances which cause harm to or present a substantial threat of harm to the child's health, welfare, or safety. Funding is provided for additional social workers, enhanced services and increased foster care placements. The act will become effective July 1, 2007.

ESTABLISH CHEMICAL DEPENDENCY SPECIALISTS - \$1.1 MILLION GENERAL FUND STATE, \$1.1 MILLION GENERAL FUND-FEDERAL

Chemical dependency specialist services will be made available at each local child welfare office. These specialists will assist at-risk families in getting the help they need and keeping children safely in their own homes.

CONTRACT WITH EDUCATION COORDINATORS - \$0.9 MILLION GENERAL FUND STATE, \$0.4 MILLION GENERAL FUND-FEDERAL

The budget provides funding to establish education coordinators to help youth in foster care who are ages nine to 16 years old to succeed in the K-12 and higher education systems. Currently only about 50 percent of youth in the foster care system graduate from high school, compared to 81 percent of students statewide.

SUPPORT CHILDREN'S ADVOCACY CENTERS - \$0.4 MILLION GENERAL FUND-STATE

Children's Advocacy Centers provide a child-focused, multi-disciplinary based program that uses "best practices" in child abuse investigations. The budget provides funding for existing community centers, new centers and the Statewide Association of Children's Advocacy Centers. A 50 percent match is required of each advocacy center receiving state funding.

DECREASES

MANAGE FOSTER CARE AND ADOPTION COSTS - \$5.0 MILLION GENERAL FUND-STATE, \$2.8 MILLION GENERAL FUND-FEDERAL

The foster care and adoption support average monthly cost has seen growth for several years. The budget limits the projected growth in monthly costs to a small growth in the cost per case and a one per cent increase per year. The department will report to the legislature on the specific cost containment approaches used.

REDUCE REGIONAL CRISIS RESIDENTIAL CENTERS - \$1.7 MILLION PUBLIC SAFETY AND EDUCATION ACCOUNT

Contracts with regional crisis residential centers will be modified to reflect a performance-based approach. Contracts will provide a guaranteed rate of \$1,000 per bed per month. The remaining payments to providers will be based actual utilization. The budget includes sufficient funding for an overall increase of 15 per cent above current utilization rates.

HOME CARE WORKERS

INCREASES

HEMOCARE WORKER COLLECTIVE BARGAINING AGREEMENT - \$31.0 MILLION GENERAL FUND-STATE, \$30.3 MILLION GENERAL FUND-FEDERAL

The budget provides funding to implement the provisions of the collective bargaining agreement between the state and the approximately 22,000 individuals who contract with it to provide in-home care for elderly and disabled people. Major provisions of the 2005-07 agreement include annual wage increases averaging 26 cents per hour; state contributions averaging \$506 per covered worker per month for medical, dental, and vision insurance; vacation leave at 1 hour per 50 worked; and state withholding of worker income tax.

INCREASE AGENCY HEMOCARE WORKER COMPENSATION - \$5.9 MILLION GENERAL FUND-STATE, \$5.9 MILLION GENERAL FUND-FEDERAL

The budget provides funding so that agencies that contract with the state to deliver home care services can provide the same wage increase for their employees as provided for those who contract and collectively bargain directly with the state. Additionally, \$2 million is provided for supplemental compensation increases for hemocare agencies subject to collective bargaining agreements.

LONG-TERM CARE

INCREASES

NURSING HOME RATE INCREASE – \$11.0 MILLION GENERAL FUND–STATE, \$10.9 MILLION GENERAL FUND–FEDERAL

The budget increases nursing home payment rates by 1.3 percent in July of each year.

LONG-TERM CARE VENDOR RATE INCREASES – \$5.2 MILLION GENERAL FUND–STATE, \$4.7 MILLION GENERAL FUND–FEDERAL

Organizations that contract with the state to provide long-term care services will receive inflationary cost-of-living adjustments of 1.0 percent in July of each year. This increase applies to adult family homes, assisted living facilities, and other community residential facilities; to adult day health and private duty nursing providers; and to the hemocare agency administrative rate.

NURSING HOME PERSONAL NEEDS ALLOWANCE – \$1.2 MILLION GENERAL FUND–STATE, \$1.2 MILLION GENERAL FUND–FEDERAL

The amount of income nursing home residents retain for their personal use is increased by \$10, from \$41.62 to \$51.62 per month.

FARMER'S MARKET NUTRITION PROGRAMS – \$0.9 MILLION GENERAL FUND–STATE, \$0.8 MILLION GENERAL FUND–FEDERAL

The number of Women, Infants, and Children (WIC) participants who will be able to purchase fresh fruits and vegetables at farmers markets will more than double from the 2003 level. The budget also provides state funds to replace private funds that were available on a one-time basis so that the increased number of lower income seniors who have been able to shop at farmers markets over the past two years can continue to do so.

DECREASES

ADDITIONAL ESTATE RECOVERIES – \$4.8 MILLION GENERAL FUND-STATE SAVINGS, \$4.8 MILLION GENERAL FUND-FEDERAL SAVINGS

The Department of Social and Health Services will increase efforts to recover the cost of publicly-funded care from the estates of deceased Medicaid recipients. Specific changes include earlier initiation of probate proceedings, improved notification of a client's death, and the statutory authority to place liens on the property of clients who are unlikely to return to their usual residence.

AREA AGENCY ON AGING CASE MANAGEMENT SERVICES – \$1.4 MILLION GENERAL FUND-STATE SAVINGS, \$1.4 MILLION GENERAL FUND-FEDERAL SAVINGS

The budget reduces funding for Area Agency on Aging case management services by 3.75 percent. This is one-quarter of the amount by which funding for such services was increased during the current state fiscal year.

OTHER

NURSING HOME TAX PHASE-OUT – \$13.4 MILLION TAX REDUCTION

The \$6.50 per patient day quality maintenance fee imposed in 2003 will be reduced by 19 percent beginning July 2005, and eliminated over the course of the two subsequent biennia. After accounting for the reduced state expenditures to cover the cost of the fee on behalf of Medicaid-funded patients, the net revenue loss to the state is approximately \$8.8 million in the first biennium.

DEVELOPMENTAL DISABILITIES

INCREASES

TARGETED VENDOR RATE INCREASE - \$6.2 MILLION GENERAL FUND-STATE; \$5.0 MILLION GENERAL FUND-FEDERAL

The budget provides funding for a vendor rate increase of one percent on July 1, 2005 and one percent on July 1, 2006. Vendor rates increases were provided for residential programs, personal care, family support, employment and day programs, voluntary foster care placement, and professional services.

INCREASE RESIDENTIAL PLACEMENTS - \$4.3 MILLION GENERAL FUND-STATE, \$4.3 MILLION GENERAL FUND-FEDERAL

The budget provides resources to add 74 new residential placements. Of these placements, 35 are provided for community protection placements. An additional 39 are provided for other community placements. Priority for new placements include children aging out of other state services, clients without residential services who are in crisis and at risk of needing an institutional placement, and current waiver clients.

EXPAND EMPLOYMENT AND DAY SERVICES - \$2.9 MILLION GENERAL FUND-STATE, \$1.2 MILLION GENERAL FUND-FEDERAL

The budget provides funding for employment and day transition services for approximately 600 clients with developmental disabilities. Priority consideration for this on-going funding will be for young adults with developmental disabilities living with their families who need employment opportunities and assistance after high school graduation. Services will be provided for both home and community based waiver program clients and non-waiver clients.

STANDARDIZE AGENCY PROVIDER RATES - \$2.0 MILLION GENERAL FUND-STATE, \$2.0 MILLION GENERAL FUND-FEDERAL

The Joint Legislative Audit Review Committee recommended that there be increased uniformity in the rates paid to supported living agency providers for administrative costs. The budget provides funding to increase the administrative rates paid to supported living agency providers who are currently receiving payments less than the standardized rate developed by the Department. This funding is in addition to the agency provider vendor rate increase. Providers who are receiving payments above the standard will be held at their current rate and will not receive an inflationary increase on the administrative portion of their rate.

FLEXIBLE FAMILY FUNDING - \$2.5 MILLION GENERAL FUND-STATE

The budget provides funding for a pilot program that provides flexible family support funds to families who are providing care and support for family members with developmental disabilities. The funds are targeted to families who have a documented need for services, are not currently receiving services from the Division of Developmental Disabilities, and have gross household income at or below 400 percent of poverty (\$64,360 per year for a family of three). It is anticipated that approximately 1,400 families will receive assistance as a result of this funding. Priority will be given to individuals in crisis or at immediate risk of needing institutional services; individuals who transition from high school without employment or day program opportunities; individuals cared for by a single parent; and individuals with multiple disabilities.

CASE MANAGEMENT SUPPORT - \$1.2 MILLION GENERAL FUND-STATE, \$1.2 MILLION GENERAL FUND-FEDERAL

The budget provides funding to develop an integrated case management information system, which will provide case resource managers with a single source of information about client needs and resources. The system will integrate the functions of assessment, care planning, case monitoring, incident reporting, and quality assurance. The system will also link to other systems in DSHS. Additional case resource managers are funded to ensure that the department can assess all clients in a timely and consistent manner.

DECREASES

IMPLEMENT RESIDENTIAL HABILITATION CENTER EFFICIENCIES - \$1.7 MILLION GENERAL FUND-STATE, \$1.6 MILLION GENERAL FUND-FEDERAL

The budget reduces funding for efficiencies that will be achieved in Fircrest School and other residential habilitation centers. The Department has been asked to evaluate and align staffing levels and other expenditures using national standards and federal requirements, when available.

BASIC/BASIC PLUS WAIVER GROWTH - \$0.75 MILLION GENERAL FUND-STATE, +\$1.0 MILLION GENERAL FUND-FEDERAL

Additional waiver slots are prioritized for clients who are currently receiving state-only funded services and who could benefit from the service package offered on the Basic or Basic Plus waiver. The services that these clients are currently receiving through state-only funds are at a level that exceeds the normal purpose or average cost of that particular service, and would be more cost-effective to provide through a home and community-based waiver program. Placing individuals on the waiver would result in an estimated increase of \$1 million.

MENTAL HEALTH AND SUBSTANCE ABUSE

INCREASES

NON-MEDICAID COMMUNITY MENTAL HEALTH SERVICES - \$80 MILLION GENERAL FUND-STATE

Under new federal rules and policies, the state's community mental health system is no longer able to use savings achieved through Medicaid managed care for people and services that would not otherwise be eligible for Medicaid. The budget provides state revenues to replace all but \$2.2 million of the lost federal funding. Of the "backfill" funding provided, \$10 million is earmarked for services to persons during and after incarceration, and \$3 million is earmarked for innovative service approaches. The \$67 million balance is to be used to the extent possible to maintain previous levels of non-Medicaid crisis and commitment, inpatient treatment, residential, and outpatient services.

CHEMICAL DEPENDENCY TREATMENT EXPANSION AND OMNIBUS MENTAL AND SUBSTANCE ABUSE DISORDERS ACT (SENATE BILL 5763) - \$18 MILLION GENERAL FUND-STATE

Senate Bill 5763 has three major components with determinable fiscal impact in the upcoming biennium, including: (1) significant expansion of substance abuse treatment; (2) pilot projects and evaluations to test integrated and intensive approaches to persons with mental and substance abuse disorders; and (3) a requirement for integrated mental health and substance abuse assessment.

Additionally, based on the results of a 2002 cost offset study by the DSHS Research and Data Analysis Division, and with additional input from the Joint Legislative Audit and Review Committee, the budget assumes that the substance abuse treatment expansion would result in "cost avoidance" in medical assistance and long-term care of \$16.5 Million in General Fund-State and \$14.7 Million in General Fund-Federal during the

2005-07 biennium. This is used to offset the specific funding added to the budget, including:

- \$21.1 Million in state funds, and \$11.9 Million in federal funds to the amount of substance abuse treatment over the fiscal year 2004 level by the second year of the 2005-07 biennium, for a doubling of current treatment for aged, blind, disabled, and other Medicaid-eligible persons, including clients of the General Assistance-Unemployable program. Funding also includes a 50 percent expansion of services to parents receiving Temporary Assistance to Needy Families, and \$745,000 in funds to expand the Parent-Child Assistance Program to southwestern Washington. In total, approximately 11,800 more treatment slots will be available by fiscal year 2007, in addition to the fiscal year 2003 maintenance level of 15,500.
- \$5 Million in state funds and \$1.7 Million in federal funds to provide substance abuse treatment to an additional 1,000 youth per year who are under 200 percent of the federal poverty level.
- \$1.1 Million in state funds and \$1.2 Million in federal funds for contracted substance abuse services for the child welfare system.
- \$7 Million in state funds to implement pilot projects in four sites, including two cross-system crisis responder pilots that utilize an integrated involuntary treatment act approach and two intensive chemical dependency case management pilots. This funding also includes about \$300,000 for the Washington State Institute for Public Policy to evaluate the results of the pilots and conduct one other study in the bill and to report to the Legislature on cost-effectiveness and outcomes.
- \$655,000 in state funds and \$466,000 in federal funds to develop an integrated mental health/substance abuse screening and assessment tool to be used by the Mental Health Division and Division of Alcohol and Substance Abuse in DSHS. The budget also provides funding for training and quality assurance.
- \$100,000 in state funds for the Joint Legislative Audit and Review Committee to conduct a study of potential facilities that could be converted to regional jails to provide services to persons who need mental health treatment.

OFFENDER PSYCHIATRIC SERVICES – \$8.0 MILLION GENERAL FUND-STATE, \$1.5 MILLION OTHER FUNDS

The budget provides funding for eight additional psychiatrists and psychologists to conduct outpatient evaluations of competency to stand trial; and to open an additional legal offender ("forensic") ward at Western State Hospital. The state psychiatric hospitals are legally responsible for evaluating competency to stand trial, for providing treatment to restore competency for defendants judged incompetent for trial, and for providing supervision and ongoing treatment for defendants found not guilty by reason of insanity. Steady increases in the demand for these services have substantially exceeded the hospital's capacity to complete required evaluations within acceptable timeframes.

CHEMICAL DEPENDENCY VENDOR RATE INCREASES - \$7.1 MILLION NEAR GENERAL FUND-STATE

The budget provides \$2.1 million in near general funds for vendor rate increases to be prioritized for residential treatment providers and other providers as funds are available, and another \$5 million in General Fund-State specifically for supplemental vendor rate increases to residential treatment providers.

INCREASE COMMUNITY PSYCHIATRIC HOSPITAL RATES – \$6.4 MILLION GENERAL FUND-STATE

The number of community hospital beds available for short-term, emergency treatment of persons committed under the Involuntary Treatment Act (ITA) decreased 12 percent between 2000 and 2004. To prevent further erosion of essential treatment capacity, the budget provides funding to increase, by an average of about 40 percent, the rate paid for treatment of medically indigent patients in hospitals that accept ITA patients.

MAINTAIN SAFE BABIES/SAFE MOMS - \$1.8 MILLION GENERAL FUND-STATE

The budget adds funding to the Division of Alcohol and Substance Abuse budget to continue providing this program, which was previously included within Temporary Assistance to Needy Families funding. The Safe Babies/Safe Moms program is for Medicaid-eligible pregnant and parenting women identified as "at serious risk for, or currently using" alcohol or substances. A woman may be enrolled during pregnancy or anytime before her youngest child turns three years old.

INCREASE CHILDREN'S LONG-TERM INPATIENT (CLIP) RATES - \$1.4 MILLION GENERAL FUND-STATE, \$1.4 MILLION GENERAL FUND-FEDERAL

The budget provides a 25 percent increase in payment rates for the Children's Long-Term Inpatient Program (CLIP) residential treatment facilities. The CLIP facilities provide inpatient treatment for children with severe psychiatric impairments who cannot be adequately served in less restrictive settings. One CLIP facility closed in summer 2004 due to financial difficulties. The three remaining facilities are operating with substantial deficits and are at risk of closure if state payment rates are not increased.

OTHER HUMAN SERVICES

DSHS – ECONOMIC SERVICES

INCREASES

INCREASE CHILD CARE SUBSIDY - \$15.0 MILLION GENERAL FUND-STATE

Family child care homes and child care centers will receive an additional \$15 million for rate increases to subsidize child care paid by the State for low-income and at-risk families. This funding will facilitate child care access and quality. This funding is in addition to approximately \$11 million for child care vendor rate increases in the 2005-07 biennium.

REPLACE TEMPORARY ASSISTANCE TO NEEDY FAMILIES MAINTENANCE OF EFFORT FUNDS - \$15.0 MILLION GENERAL FUND-STATE

The budget provides funding to continue activities for the temporary assistance to needy families program (TANF). This program provides cash grants to families with children and pregnant women. This funding will help the state meet its requirement to maintain a specific level of funding and maintain current program expenditures.

ENHANCE LIMITED ENGLISH PROFICIENCY SERVICES- \$1.5 MILLION GENERAL FUND-STATE

The budget provides \$1.5 million for programs that serve individuals with limited English proficiency (LEP). This amount is in addition to existing state and federal funds for this purpose and is intended to support reducing General Assistance- Unemployable caseloads.

INCREASE DOMESTIC VIOLENCE FUNDING - \$1.3 MILLION DOMESTIC VIOLENCE PREVENTION ACCOUNT-STATE

Engrossed Substitute House Bill 1314 establishes the Domestic Violence Prevention Account. Proceeds from fees on divorces, annulments and legal separation will be used for preventive, non-shelter community-based services.

INCREASE NATURALIZATION SERVICES - \$1.0 MILLION GENERAL FUND-STATE

Naturalization services will expand to support aging immigrants to become naturalized, which will reduce dependence on the state General Assistance Unemployable program.

EXPAND TEAMCHILD - \$0.5 MILLION GENERAL FUND-STATE

The budget provides funding to expand the TeamChild program. TeamChild helps troubled youth secure the community-based services they need by providing civil legal advocacy and offers juvenile courts practical and less costly alternatives to incarceration. This funding is in addition to the program's base of \$500,000 for the 2005-07 biennium.

DECREASES

ACHIEVE SAVINGS IN GENERAL ASSISTANCE UNEMPLOYABLE PROGRAM (GA-U) - \$18.0 MILLION GENERAL FUND-STATE

The budget anticipates savings in the General Assistance Unemployable Program through proactive strategies to improve the outcomes for GA-U clients. These strategies include: (1) invest in naturalization to reduce the number of aged clients who no longer qualify for SSI, (2) facilitate an increased number of clients to obtain social security and veterans benefits, (3) provide medical services through managed care demonstration projects, and (4) provide improved mental health, and vocational rehabilitation and employment support to reduce times on caseloads.

DSHS – OTHER

DECREASES

REDUCE REGIONAL STAFF - \$5.6 MILLION GENERAL FUND-STATE, \$6.8 MILLION GENERAL FUND-FEDERAL

The budget eliminates redundancy and overlap in administrative positions in the Department of Social and Health Services. Non-case carrying staff will be reduced in the Children's Administration, Developmental Disabilities, Long Term Care and the Economic Services Administration.

FIRCREST TRANSITION TEAM - \$1.2 MILLION GENERAL FUND-STATE, \$1.2 MILLION GENERAL FUND-FEDERAL

In the 2003-2005 biennium, funding was provided for downsizing of Fircrest, a residential rehabilitation center. These funds are removed from the budget and funds are provided in the Office of Financial Management for a study of options for a preferred continuum of transition for state residential habilitation centers.

DEPARTMENT OF LABOR AND INDUSTRIES

INCREASES

ONLINE REPORTING AND CUSTOMER ACCESS - \$13.0 MILLION ACCIDENT AND MEDICAL AID ACCOUNTS-STATE

The budget provides funding for the Department of Labor and Industries (L&I) to complete the online reporting and customer access project (ORCA). This project will increase the services and information available online for customers and expand document imaging to replace paper-based systems.

CRIME VICTIMS COMPENSATION - \$3.3 MILLION GENERAL FUND-STATE, \$1.6 MILLION OTHER FUNDS

The budget provides a total of \$4.9 million for increased Crime Victims Compensation medical expenses.

CENTERS OF OCCUPATIONAL HEALTH AND EDUCATION - \$0.4 MILLION MEDICAL AID ACCOUNT-STATE

The budget provides funding to contract with the University of Washington's Centers of Occupational Health and Education (COHEs). COHEs provide medical treatment for employees injured on-the-job and offers employers training for developing return-to-work options for injured employees. There are four sites funded: two existing COHEs in Spokane and Renton; a new location in Yakima County; and a new site to be selected through a contract bidding process. One hundred additional doctors will be trained in current medical treatments for injured workers and return-to-work options for 2,100 injured workers. Fifty additional partner employers and 10 additional unions will be included in the training.

JUVENILE REHABILITATION

INCREASES

MAINTAIN FAMILY INTEGRATED TRANSITIONS PROGRAM - \$1.4 MILLION GENERAL FUND-STATE

The budget maintains funding for a program for juvenile offenders with co-occurring substance abuse and mental health disorders in King, Snohomish, Pierce, and Kitsap counties. Federal Juvenile Accountability Incentive Block Grant funding for this program was eliminated by Congress in the federal Fiscal Year 2005 budget. The program, involving the family and a therapeutic team, begins treatment in the juvenile rehabilitation institution and continues for up to six months after release. The pilot program was evaluated by the Washington State Institute for Public Policy and was

shown to have a 13 percent lower rate of recidivism, and to provide \$3.15 in benefits to taxpayers and victims per each dollar of cost.

REINVESTING IN YOUTH - \$1.0 MILLION GENERAL FUND-STATE, NO NET INCREASE TO TOTAL BUDGET

The budget transfers funding from the Governor's Juvenile Justice Advisory Committee to the Juvenile Rehabilitation Administration for the establishment of a Reinvesting in Youth pilot program. The program will award grants to counties for implementing research-based early intervention services that target juvenile justice involved youth and reduce crime. The Washington State Institute for Public Policy has identified several programs that, if properly implemented, are likely to reduce taxpayer and other costs in the future. During the 2005-07 biennium, a pilot program consisting of three counties or groups of counties will test methods for reinvesting state savings that result from local investments in evidence-based services for juvenile justice-involved youth.

NATURAL RESOURCES

DEPARTMENT OF AGRICULTURE

INCREASES

EXPANSION OF ASPARAGUS AND HOPS PROGRAMS - \$2.0 MILLION GENERAL FUND-STATE

The budget provides \$1 million to extend and expand the department's asparagus automation and mechanization program. The budget also provides \$1 million to research and develop new hop harvesting technologies and for associated pilot projects.

WASHINGTON WINE BRAND - \$0.3 MILLION GENERAL FUND-STATE

To strengthen consumer awareness and create a brand identity for Washington wines, funding is provided to implement a new branding campaign, created by the Washington Wine Industry,

SMALL FARM DIRECT MARKETING- \$0.2 MILLION GENERAL FUND-STATE

Funding is provided for the Small Farm and Direct Marketing Program which connects small farmers directly with consumers.

POULTRY DISEASE ERADICATION - \$0.025 MILLION GENERAL FUND-STATE

Funding is provided for indemnity payments for poultry that are ordered by the state to be slaughtered or destroyed.

MARKET ACCESS/TRADE BARRIER - \$0.5 MILLION GENERAL FUND-STATE

Funding is provided to enhance the market promotion and trade barrier grants program. Grants are provided to educate the public and promote Washington produce, improve access to foreign markets, develop and update data, and match buyers with sellers.

FOOD SAFETY/ANIMAL HEALTH - \$0.5 MILLION GENERAL FUND-STATE

Funding is provided to complete a database application that would consolidate program information and enable the Department of Agriculture to more effectively respond to a food safety or animal disease emergency.

AGRICULTURAL FAIR STUDY - \$0.07 MILLION GENERAL FUND-STATE

Funding is provided to conduct or contract for an economic impact study of fairs in the state of Washington.

DEPARTMENT OF ECOLOGY

INCREASES

CLEAN UP MORE TOXIC WASTE SITES - \$9.0 MILLION STATE TOXIC CONTROL ACCOUNT

The budget includes an additional \$9 million in the State Toxic Control account to manage the clean up of toxic waste sites. This amount is in addition to \$80 million of local toxic account funding in the capital budget and will increase the pace of cleaning up contaminated sites that present a risk to human health and the environment.

BEYOND WASTE & BUSINESS ASSISTANCE - \$3.2 MILLION STATE TOXIC CONTROL ACCOUNT

The budget provides increased funding to assist businesses to reduce hazardous and solid waste. Program staff will work with businesses to reduce waste, increase organic composting, coordinate "Green Building" practices, implement financial and regulatory incentives, and improve pollution prevention plans.

2005 EMERGENCY DROUGHT - \$0.7 MILLION STATE EMERGENCY WATER PROJECTS REVOLVING ACCOUNT

The budget provides funding for the 2005 emergency drought declared by the Governor. The budget also provides \$8.2 million in the capital budget which will fund planning, design, purchase, and construction of water saving irrigation improvement projects.

REDUCE PBTs IN THE ENVIRONMENT - \$1.4 MILLION STATE TOXIC CONTROL ACCOUNT

The budget provides enhanced funding for reducing persistent bioaccumulative toxins (PBTs). The Department of Ecology will implement a proposed Polybromated Diphenyl Ethers (PBDE) chemical action plan, monitor for mercury in fish, and continue implementing the overall PBT strategy.

WATER QUALITY IN HOOD CANAL AND OTHER MARINE WATERS - \$0.9 MILLION GENERAL FUND-STATE, \$0.6 MILLION AQUATIC LANDS ACCOUNT

The budget provides funding to address water quality problems in Hood Canal. Twenty-two of Washington's ninety-six commercial shellfish growing areas are threatened with closure, and harvesting is prohibited at seven areas because of bacteriological contamination. The budget also provides an additional \$17.5 million for Hood Canal clean up.

OIL SPILL ADVISORY COUNCIL - \$0.5 MILLION OIL SPILL PREVENTION ACCOUNT

The budget creates the Oil Spill Advisory Council in the Governor's Office to increase the state's capabilities of oil spill prevention, preparedness, and response capabilities.

DEPARTMENT OF FISH AND WILDLIFE

INCREASES

TECHNOLOGY/INFRASTRUCTURE IMPROVEMENTS - \$0.8 MILLION WILDLIFE ACCOUNT-STATE

The budget provides funding to evaluate the Department of Fish and Wildlife's recreational license sales system and, if necessary, select a new vendor to design and deploy the next generation licensing system to replace the current Washington Interactive Licensing Database. The budget also provides funding for replacement of servers and implementation of phase II of the Hydraulic Permit Management System.

NASELLE HATCHERY - \$0.5 MILLION WILDLIFE ACCOUNT-STATE

The budget provides additional funding to allow the Naselle Hatchery to continue production and release of anadromous fish into Willapa Bay.

DECREASES

STATE WILDLIFE ACCOUNT REDUCTION PLAN - \$3.1 MILLION WILDLIFE ACCOUNT - STATE

State Wildlife Account reductions are necessary to keep the account solvent. Hatcheries to be reduced or eliminated include: Bogachiel/Eels, Brinnon Shellfish, and Garrison. Other activities to be eliminated or reduced include the go play outside contract; one district office staff; one biological field staff; middle management; access sites; marine resources; and print shop, mail room, and agency administration/business services expenditures.

DEPARTMENT OF NATURAL RESOURCES

INCREASES

SHELLFISH SETTLEMENT - \$9.0 MILLION GENERAL FUND-STATE, \$2.0 MILLION AQUATIC LANDS ENHANCEMENT ACCOUNT.

The budget provides one-time funding to settle claims involving tribal rights to harvest shellfish from tidelands used by commercial shellfish growers. The funding is contingent on federal matching funds of \$22 million.

INCREASE FUNDING FOR FOREST AND FISH COMMITMENTS - \$2.3 MILLION GENERAL FUND-STATE

The budget increases funding to fulfill compliance monitoring commitments in the Forest and Fish Report. This funding is required as part of the Habitat Conservation Plan (HCP) which the state is preparing to obtain assurances from the federal government that the state is meeting the requirement under the federal Endangered Species Act and Clean Water Act.

ENHANCE MAINTENANCE OF DNR CAMPSITES - \$0.6 MILLION GENERAL FUND-STATE
The budget provides funding to improve maintenance of 25 recreation sites and 140 miles of trails on Department of Natural Resources lands. The money will also expand the department's recreation-volunteer coordination capacity.

STATE PARKS & RECREATION

INCREASES

CABINS AND YURTS - \$1.0 MILLION PARKS RENEWAL AND STEWARDSHIP ACCOUNT-STATE

The budget provides a combination of one-time and ongoing funding for installing and operating cabins, yurts, and other rentable structures in three parks (Battle Ground, Cape Disappointment, and Dosewallips) in order to extend the camping season and generate new revenue.

PARKS MAINTENANCE/OPERATION - \$0.8 MILLION PARKS RENEWAL AND STEWARDSHIP ACCOUNT-STATE; \$1.0 MILLION GENERAL FUND-STATE

The budget provides a combination of one-time and ongoing funding for operating and maintaining state parks. Funding is also provided to replace furnishings at Fort Worden State Park and to hire staff to improve interpretation services and collect fees at Cape Disappointment State Park.

STATE CONSERVATION COMMISSION

INCREASES

SUSTAINING CONSERVATION OPERATIONS - \$0.2 MILLION GENERAL FUND-STATE
Pursuant to Substitute House Bill 1462, which amends the state's conservation district statute, the budget provides one-time funding for supplementary basic funding to the state's lowest-income conservation districts.

CRIMINAL JUSTICE/PUBLIC SAFETY

CRIMINAL JUSTICE TRAINING COMMISSION

INCREASES

IMPROVE TECHNOLOGY FOR THE WASHINGTON ASSOCIATION OF SHERIFFS AND POLICE CHIEFS (WASPC) - \$0.2 MILLION NEAR GENERAL FUND-STATE

The budget funds new servers to maintain WASPC's public information website on registered sex offenders and to purchase a National Incident-Based Reporting System (NIBRS) program and data converter. The converter allows law enforcement agencies with incompatible records to transfer information to each other on crime scene data and suspect characteristics and to assist with solving crime across jurisdictions.

DECREASES

ADJUST CLASS SIZE FOR CORRECTIONAL ACADEMIES - \$0.3 MILLION NEAR GENERAL FUND-STATE

The budget reduces funding to reflect a 20 percent decrease in the level of enrollment in correctional academies between Fiscal Year 2002 and Fiscal Year 2005.

DEPARTMENT OF CORRECTIONS

INCREASES

EXPAND OFFENDER MANAGEMENT NETWORK - \$11.3 MILLION GENERAL FUND-STATE

The budget provides funding for half of the third phase of the project to replace the Offender-Based Tracking System (OBTS) with the new Offender Management Network Information (OMNI) system, which is expected to reduce staff data entry efforts, improve reporting capabilities, and redirect staff time towards offender supervision. Beginning in the 1999-01 biennium, the Legislature began funding the OMNI system to replace OBTS, the primary information system used by the Department to track and manage roughly 17,000 incarcerated offenders and 28,000 offenders in the community. The total cost of the OMNI project has been estimated at \$58 million.

INTERSTATE COMPACT ON OFFENDER SUPERVISION - \$0.8 MILLION GENERAL FUND-STATE

The budget assumes enactment of House Bill 1402, which would bring the state into compliance with the Interstate Compact on Adult Offender Supervision (ICAOS). By participating in the ICAOS, offenders who are released from a Washington facility and move to another state would still be subject to community supervision. In exchange, Washington State receives notification of out-of-state offenders who need supervision who move to Washington. The state is then required to supervise these offenders under the terms of the compact. The funding level in the budget assumes about 200 out-of-state misdemeanor offenders will need to be supervised during the 2005-07 biennium.

CORRECTIONAL INDUSTRIES - \$0.4 MILLION GENERAL FUND-STATE

The budget provides funding to purchase equipment necessary to expand Class II Correctional Industries and to help maintain overall offender employment levels. Due to the 2004 state Supreme Court decision in *Waterjet v. Yarbrough*, the Department of Corrections can no longer use private employers in its facilities and 250 related offender jobs were eliminated. Improvements at the Monroe Correctional Complex will result in the consolidation of laundry services and increase production at the facility print shop. Other equipment purchases will expand and maintain industries at the Pine Lodge Corrections Center, Stafford Creek Corrections Center, and State Penitentiary.

DECREASES

DELAY OPENING OF NEW UNITS AT STATE PENITENTIARY - \$7.4 MILLION GENERAL FUND-STATE

The budget assumes a one-time savings by delaying for four months the move of 892 offenders into units currently under construction at the State Penitentiary in Walla Walla. Offenders would occupy the units beginning in August of 2007, rather than in April of

2007, and would either remain in current Penitentiary housing or in out-of-state rental beds. Savings are realized as a result of delaying the significant start-up costs of opening the 892 new units. Construction delays have already occurred at this site.

MAKE SUPERVISION OF GROSS MISDEMEANANTS CONSISTENT WITH FELONS - \$3.0 MILLION GENERAL FUND-STATE

The budget assumes enactment of Senate Bill 5256 (misdemeanants), which eliminates supervision for 3,000 certain gross misdemeanants sentenced in superior court annually. Supervision requirements are maintained for misdemeanor offenders who are assessed as high risk (those with violent or sex offense histories), or those with domestic violence, residential burglary, or methamphetamine manufacture/dealing convictions. This would conform misdemeanor supervision to felony supervision law under Senate Bill 5990, enacted by the 2003 Legislature.

ELECTRONIC MONITORING PILOT OF COMMUNITY SUPERVISION VIOLATORS - \$2.2 MILLION GENERAL FUND-STATE

The budget assumes enactment of House Bill 1136 (electronic monitoring system), which creates a one-year pilot project using electronic monitoring in lieu of jail or prison sanction time when a low-risk offender violates the terms of their community supervision. The savings assumes that 100 low-risk offenders per day will be on electronic monitoring rather than incarcerated.

REDUCE FUNDING FOR PERFORMANCE CONTRACT - \$0.6 MILLION GENERAL FUND-STATE

The budget reduces funding for the interlocal agreement between the Department of Corrections and Peninsula College for the establishment of a Performance Institute. Funding for instructional support and curriculum design and development is preserved.

WASHINGTON STATE PATROL

INCREASES

IMPROVE CRIME LAB AND DNA ANALYSIS - \$4.6 MILLION GENERAL FUND-STATE

The budget provides funding for 20 additional forensic scientists, and related staff and supplies, to reduce turnaround times and avoid backlogs in crime scene and DNA analysis provided to local law enforcement. The new scientists and staff will be added to the existing crime labs in Marysville, Tacoma, and Seattle; to the newly expanded crime lab in Spokane; and to the new crime lab in Vancouver.

JUDICIAL AGENCIES

INCREASES

EXPANSION OF PARENTS' REPRESENTATION PROGRAM IN DEPENDENCY AND TERMINATION CASES - \$1.8 MILLION GENERAL FUND-STATE

The budget adds \$6.8 million to expand the current parents' representation program, including \$1.8 million and another \$5 million per Engrossed Second Substitute Senate Bill 5454 (court operations) mentioned below under "Justice Funding." The total funding

anticipates that the current program in Pierce and Benton-Franklin courts will be expanded to about half of the rest of the state by the end of the biennium. The program ensures adequate representation of indigent parents who are in danger of losing permanent custody of their children and connects parents with services they need to keep or regain custody. Results in the existing counties have shown improved successful reunifications and reduced foster care time pending trial. The new funding also helps relieve the burden on the counties, as counties currently pay 100 percent of defense costs.

JUSTICE FUNDING APPROPRIATED BY E2SSB 5454 - \$12.7 MILLION NEAR GENERAL FUND-STATE

Separate from the budget, funding is appropriated by Engrossed Second Substitute Senate Bill 5454 (court operations) for a variety of items to assist local government, to improve the quality of trial courts, to increase access to civil justice, and to improve indigent defense services. For the 2005-07 biennium, increased court fees under Engrossed Second Substitute Senate Bill 5454 are expected to raise over \$19 million in funds for counties and cities, and \$12.7 million in state funds, for deposit into the newly established Equal Justice Subaccount of the Public Safety and Education Account. The legislation appropriates the \$12.7 million in Equal Justice Subaccount funds as follows:

- \$2.4 million to the Office of the Administrator for the Courts for distribution to local governments for salaries for district and certain elected municipal court judges. In subsequent biennia, this amount is estimated to increase to \$6.3 million, or 50 percent of the projected revenue from the fee increases. Local governments must match the full amount in local trial court improvement accounts, to be appropriated by the local legislative authority.
- \$5 million to the Office of Public Defense to assist with a partial statewide expansion of the parents' representation program for dependencies and terminations. (This funding is in addition to \$1.8 million in new funds added separately in the budget, see above.)
- \$1.3 million to the Office of Public Defense to provide training and technical assistance to counties to improve trial level criminal indigent defense.
- \$1 million to the Office of Public Defense to perform a pilot project to improve criminal indigent defense in one or more counties.
- \$3 million to the Office of Civil Legal Aid to expand the level of contracted civil legal services provided to indigent persons.

MAINTAIN AND IMPROVE JUDICIAL INFORMATION SYSTEM - \$ 3.9 MILLION PUBLIC SAFETY AND EDUCATION ACCOUNT-STATE, \$9.7 M DEDICATED FUNDS

The budget provides funding to replace outdated and obsolete computer equipment for local courts used to operate the judicial information system (JIS). Dedicated JIS funds paid by special assessments on traffic fines are used to continue to expand the JIS system.

IMPROVE ACCESS TO AND QUALITY OF THE JUSTICE SYSTEM - \$1.2 MILLION NEAR GENERAL FUND-STATE

The budget expands programs in a number of areas to improve the quality of the justice system, including:

- \$530,000 to provide adequate compensation for contracted appellate public defenders and other judicial vendors and to add appellate court staff to prevent case backlogs.

- \$300,000 to train and support additional court-appointed special advocates/guardians ad litem (CASA/GAL), volunteers who support children involved in dependency proceedings.
- \$200,000 to provide funding to the Supreme Court's Access to Justice Board to improve coordination of indigent civil legal services.
- \$143,000 to provide additional training for court interpreters.

ALL OTHERS

ATTORNEY GENERAL'S OFFICE

INCREASES

CONSUMER PROTECTION ENHANCEMENT - \$1.6 MILLION GENERAL FUND-STATE

The budget provides additional funding to expand the delivery of consumer protection services in the Attorney General's Office, including the establishment of an Office of Privacy Protection. These funds will be used for consumer education and outreach, complaint resolution, and efforts to reduce identity theft and internet fraud.

COMMUNITY, TRADE AND ECONOMIC DEVELOPMENT

INCREASES

HOMELESS HOUSING PROGRAM – \$10.4 MILLION HOMELESS HOUSING ACCOUNT

The budget provides funding to implement Engrossed Substitute House Bill 2163. Utilizing the \$10 surcharge to document filing, the Department of Community Trade and Economic Development and counties will prepare 10-year plans to reduce homelessness by 50 percent.

EARLY CHILDHOOD EDUCATION AND ASSISTANCE (ECEAP) - \$6.2 MILLION GENERAL FUND-STATE

The Early Childhood Education and Assistance Program (ECEAP) is a preschool program designed to help low-income and at-risk children and their families. The budget increases ECEAP funding to provide for 282 additional placements for an inflationary vendor rate increase of 4.0 percent on July 1, 2005 and 4.0 percent on July 1, 2006.

COMMUNITY SERVICES BLOCK GRANT (CSBG) - \$1.0 MILLION GENERAL FUND-STATE

The budget provides \$1 million for community action agencies to continue local planning and delivery of emergency services.

HOMELESS DATA MANAGEMENT - \$1.3 MILLION GENERAL FUND-PRIVATE/LOCAL

The budget provides funding to allow the Department of Community, Trade and Economic Development to administer a statewide homeless management information system (HMIS). The HMIS will satisfy the federal HUD McKinney-Vento requirement that recipients of federal funds must create and maintain a HMIS system.

HOUSING ASSISTANCE - \$1.3 MILLION WASHINGTON HOUSING TRUST ACCOUNT

Pursuant to House Bill 1074, the budget provides funding to reflect a one percent increase to hire additional staff to monitor housing projects and provide technical assistance to housing providers.

EMERGENCY FOOD ASSISTANCE - \$1.5 MILLION GENERAL FUND-STATE

The budget provides funding for food banks to obtain and distribute nutritious food and to purchase equipment to transport and store perishable products.

COMMUNITY MOBILIZATION - \$1.2 MILLION VIOLENCE REDUCTION AND DRUG ENFORCEMENT ACCOUNT-STATE

The budget provides funding to increase the number of grants to community organizations that develop and implement comprehensive strategies to prevent and reduce alcohol, tobacco, and other drug abuse and violence.

INDIVIDUAL DEVELOPMENT ACCOUNTS - \$1.0 MILLION INDIVIDUAL DEVELOPMENT ACCOUNT

The budget provides funding from the general fund to the individual development account for the implementation of Substitute House Bill 1408.

METHAMPHETAMINE INITIATIVE - \$1.0 MILLION GENERAL FUND-STATE

The budget provides funding to Snohomish County for a law enforcement treatment methamphetamine pilot program and to Pierce County for the extension of treatment alternatives and targeting the identification and prosecution of perpetrators of methamphetamine-related crimes.

MOBILE HOME OMBUDSMAN - \$0.5 MILLION MOBILE HOME INVESTIGATIONS ACCOUNT

Pursuant to House Bill 1640, the budget provides funding from the newly created mobile home investigations account to implement a process for resolving disputes between mobile home owners and tenants.

SMALL COMMUNITIES INITIATIVE - \$0.24 MILLION PUBLIC WORKS ASSISTANCE ACCOUNT-STATE

The budget provides enhancement funding to add one additional staff person to work with and assist very small, rural communities that are struggling with compliance of health and environmental regulations concerning failing water or wastewater systems.

OTHER ENHANCEMENTS - \$2.7 MILLION GENERAL FUND-STATE

The budget provides funding to various organizations and programs: America's Freedom Salute (\$50,000); Cascade Dialogue (\$150,000); Safe Neighborhoods (\$50,000); NW Food Processors Association (\$50,000); Long Term Care Ombudsman (\$108,000); Center for Advanced Manufacturing (\$215,000); domestic violence (\$340,000); HistoryLink (\$150,000); Women's Hearth (\$50,000); Small Business Incubator (\$470,000); Farm Innovation Incubator (\$300,000); Center for Water & Environment (\$575,000); and Pierce County Youth Assessment Center (\$150,000).

DECREASES

BYRNE GRANT REDUCTIONS - \$8.6 MILLION GENERAL FUND-STATE

The budget recognizes that the federal fiscal year 2005 enacted budget combined and reduced two existing grants used to prevent violence and substance abuse, the Byrne Grant and the Local Law Enforcement Block Grant (LLEBG), into a new grant known as the Justice Assistance Grant. While the LLEBG portion is unaffected, the level of funding for Byrne Grant programs is cut by over 50 percent. Remaining federal funding is distributed according to the recommendations of CTED and Governor Gregoire. In addition, the budget uses state funds to replace funding for domestic violence legal advocacy.

DEPARTMENT OF ARCHAEOLOGY AND HISTORIC PRESERVATION

CREATION OF DEPARTMENT OF ARCHAEOLOGY AND HISTORIC PRESERVATION - \$0.013 MILLION GENERAL FUND-STATE

The budget provides funding to implement Second Substitute Senate Bill 5056, which transfers the Office of Archaeology and Historic Preservation from the Department of Community, Trade and Economic Development and creates a new department.

OFFICE OF FINANCIAL MANAGEMENT

INCREASES

GOVERNMENT MANAGEMENT AND ACCOUNTABILITY PROGRAM - \$0.6 MILLION GENERAL FUND-STATE

The Office of the Governor and the Office of Financial Management will provide guidance to agencies, oversight of the process, and will review performance of all agencies.

BASE REALIGNMENT & CLOSURE ASSISTANCE - \$0.15 MILLION GENERAL FUND-STATE

The Office of Financial Management will provide grants to counties where a military base is at risk of being identified for closure as a result of the federal base realignment and closure process. Eligible counties may include Island, Kitsap, Pierce, Snohomish, and Spokane Counties.

SECRETARY OF STATE

INCREASES

ELECTION REFORMS - \$0.4 MILLION GENERAL FUND-STATE, \$27.0 MILLION GENERAL FUND-FEDERAL

Federal funds made available to the state under the federal Help America Vote Act (HAVA) will improve state election administration and voter outreach and education. In addition, state funds will allow the Secretary of State to increase the frequency of review of county election procedures.

WASHINGTON STATE HISTORICAL SOCIETY

INCREASES

LEWIS AND CLARK BICENTENNIAL - \$0.52 MILLION GENERAL FUND-STATE

The budget provides one-time funding for programs related to the Lewis and Clark bicentennial commemoration. Corps of Discovery II, a national traveling exhibit, will travel through Clarkston, Dayton, Kennewick, Stevenson, Toppenish, Vancouver, and Pacific County. One-time funding is also included for reimbursement of costs incurred by county law enforcement agencies from providing additional security for events.

WOMEN'S HISTORY CONSORTIUM - \$0.2 MILLION GENERAL FUND-STATE

The budget provides funding to fully implement the Women's History Consortium, to be housed at the Washington State Historical Society. Senate Bill No. 5707 established the consortium, which will foster public access to women's history information and materials.

WASHINGTON STATE MILITARY DEPARTMENT

INCREASES

HOMELAND SECURITY FUNDING - \$127.6 MILLION GENERAL FUND-FEDERAL

The budget provides Homeland Security funding based on recommendations from the Domestic Security Executive Group, the Committee on Homeland Security, and the federal government. Federal rules require that a minimum of 80 percent of these awards be passed through to local jurisdictions. The remaining 20 percent will be spent by state agencies on activities that support the Washington State Homeland Security Strategic Plan.

MT. ST. HELENS EMERGENCY COMMUNICATIONS - \$0.9 MILLION DISASTER RESPONSE ACCOUNT

The budget provides one-time funding to the Cowlitz County 911 Communications Center for the purpose of purchasing interoperable radio communication technology for emergency communications in the Mt. St. Helens area.

GENERAL

INCREASES

LIFE SCIENCES DISCOVERY FUND - \$0.15 MILLION GENERAL FUND-STATE

Start-up funding is provided for implementation of the Life Sciences Discovery Fund Authority, which will provide grants for life sciences research, using a portion of the state's tobacco settlements funds.

DECREASES

GOVERNMENT EFFICIENCY AND ACCOUNTABILITY - \$46.3 MILLION – GENERAL FUND, STATE

The budget assumes increased efficiency and accountability to promote responsible stewardship of state government resources. Reductions are made by reducing middle management positions, implementing strategic purchasing initiatives based on lessons learned from the private sector, and eliminating double-filled personnel positions.

REVENUE ADJUSTMENTS

Senate Revenue Plan

(in millions)

2005-07

2314	Cigarette Tax ¹	\$174.7
	Liquor Liter Tax	49.7
	Extended Warranty Sales Tax	37.4
	Hi Tech B&O Credit	21.5
	Historic Auto	0.0
	Amphitheaters	(0.1)
	Direct Mail	(0.3)
	Non profit boarding homes	(0.4)
	Aerospace Credit	(0.4)
	Comprehensive cancer	(1.3)
	Mainstreet	(1.5)
	Self service laundry	(2.5)
	Nursing Home Maint. Fee	(13.4)
	Total	\$263.4

6096	Estate Tax ¹	\$138.7
1240	REET Payment Move Up	51.6
5794	Puyallup Compact	17.3
5948	Unclaimed Property	14.3
6097	Tobacco Products	5.7
1315	REET Controlling Interest	5.5
1379	LCB Retailing Plan	5.0
1241	Vehicle Licensing	2.8
5916	Alternative Fuel Vehicles	0.0
5154	Hist. Property tax	(0.03)
1502	Natural disaster property	(0.05)
5101	Energy Incentives	(0.13)
5111	Solar exemptions	(0.13)
5999	Parking and bus imp.	(0.15)
5857	Community Health NP	(0.24)
1120	Comm. College acct	(0.35)
5782	Linked Deposit prog.	(0.58)
1457	Military Department	(0.88)
5623	RTA exemption	(1.11)
5663	Ag burning	(1.33)
2221	Fruit and Vegetable processing	(7.10)
1394	Business and Prof acct	(7.69)
	Total	\$221.1

Total	\$484.4
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¹Deposited into the Education Legacy Trust Account
Numbers do not add due to rounding.

REVENUE INCREASE MEASURES

OMNIBUS REVENUE AND TAX PACKAGE - \$263.4 MILLION GENERAL FUND-STATE AND EDUCATION LEGACY TRUST ACCOUNT INCREASE

Engrossed Substitute House Bill 2314 made the following revenue and tax changes:

- An additional cigarette tax of 60 cents per pack of 20 cigarettes is imposed; the net proceeds of which are deposited in the Education Legacy Trust Account for the purpose of funding class reduction and other directives of Initiative 728, as well as higher education.
- An additional tax of \$1.33 per liter is imposed on liquor sales, excluding purchases by licensees.
- The retail sales and use tax is imposed on sales of warranties that are not already part of the selling price of purchased tangible property.
- The business and occupation (B&O) tax credit for high-technology research and development (R&D) is modified to correct the formula used to determine the credit and the formula is changed to allow firms to ultimately calculate the credit based on an increased percentage of R&D expenditures.
- The payment of sales and use taxes on the construction of a historic automobile museum is deferred.
- Leasehold interests in certain public amphitheaters are exempt from the leasehold excise tax.
- The B&O, retail sales, and use taxes are removed from separately stated delivery charges for direct mail.
- Nonprofit boarding homes operated by religious or charitable organizations as part of a nonprofit hospital or public hospital district are exempt from B&O taxes.
- The B&O tax credit for property taxes paid by commercial airplane and component manufacturers is modified concerning which payments are eligible.
- B&O, sales, and use tax exemptions are provided for comprehensive cancer centers.
- The Washington Main Street Program is created to provide technical assistance to communities that undertake downtown or neighborhood commercialization district revitalization initiatives, and financial assistance is provided through B&O tax credits for a percentage of contributions made for the purposes of such initiatives.
- Self-service laundry facilities are exempted from retail sales and use taxes and reclassified under the B&O tax as service establishments.
- The nursing home quality maintenance fee is phased-out.

The deduction from estate value of certain farm property is modified for the purposes of the proposed estate tax in Senate Bill 6096.

ESTATE TAX - \$138.7 MILLION EDUCATION LEGACY TRUST ACCOUNT-STATE

Engrossed Senate Bill 6096 reinstates and modifies the recently invalidated state estate tax for persons who die after the effective date of the act. Estates below \$1.5 million for calendar year 2005 and \$2.0 million thereafter are exempt. Additionally, a deduction is allowed for qualified farm property. Revenues are deposited into the Education Legacy Trust Account to fund Initiative 728 and higher education.

REAL ESTATE EXCISE TAX FEES AND ELECTRONIC PROCESSING - \$51.6 MILLION GENERAL FUND-STATE INCREASE

Second Substitute House Bill 1240 requires counties to remit collected real estate excise tax to the Department of Revenue on the last working day of the month, as opposed to the 20th day of the subsequent month. In addition, the bill allows county treasurers to assess an additional fee on real estate excise tax transactions until June 30, 2010. The fee will be used to develop and

implement an electronic processing and reporting system for REET affidavits, including making the system compatible with the systems and procedures used by the Department of Revenue, County Assessor, and the County Auditor.

**CIGARETTE TAX COMPACT WITH THE PUYALLUP TRIBE OF INDIANS - \$17.3 MILLION
GENERAL FUND-STATE INCREASE**

Senate Bill 5794 authorized the Governor to enter into an agreement with the Puyallup Tribe of Indians regarding the taxation of cigarettes under which the tribe must impose a tax of \$11.75 per carton, in lieu of state cigarette and state and local sales and use taxes. The state receives 30 percent of the tribal tax revenue.

**MODIFYING UNCLAIMED PROPERTY PROVISIONS - \$14.3 MILLION GENERAL FUND-STATE
INCREASE**

Senate Bill 5948 allows the Department of Revenue to redeem mutual funds and other dividend reinvestment plans that have been deemed unclaimed property. The bill also removes the requirement that the department print in the newspaper each name of persons with claims to unclaimed property. Instead, they are required to publish summary information of how owners may obtain this information.

TOBACCO PRODUCTS ENFORCEMENT - \$5.7 MILLION GENERAL FUND-STATE INCREASE

Senate Bill 6097 creates several enforcement provisions for the tobacco products tax, similar to the cigarette tax provisions, to help limit the amount of illegal or untaxed tobacco products in the state. In addition the tax on tobacco products is reduced from 129% to 75%. Cigars have a maximum tax rate of 50 cents per cigar.

**TRACKING TRANSFERS OF CONTROLLING INTEREST IN REAL ESTATE - \$5.5 MILLION
GENERAL FUND-STATE INCREASE**

House Bill 1315 requires entities which are required to file annual reports with the Secretary of State to disclose any transfer of controlling interest in an entity and any interest in real property. This requirement will help the Department of Revenue track transfer of controlling interest in real property to determine when the real estate excise tax is applicable. Information in the possession of the Department of Revenue regarding real estate excise tax is exempt from confidentiality requirements.

**LIQUOR CONTROL BOARD RETAIL BUSINESS PLAN - \$5.0 MILLION GENERAL FUND-STATE
INCREASE**

Substitute House Bill 1379 requires the Liquor Control Board to open at least 20 stores on Sunday and monitor the outcome of these openings. Agency stores will also have the option to open on Sunday. In addition, the Liquor Control Board is required to implement a plan of in-store merchandising, including point-of-sale advertising and merchandising of brands.

VEHICLE REGISTRATION REQUIREMENTS - \$2.8 MILLION GENERAL FUND-STATE INCREASE

Engrossed House Bill 1241 changes the penalty from a misdemeanor to a traffic infraction for failure to register a vehicle in this state and increases the amount from up to \$330 to \$529. The bill also adds a penalty of \$529 for licensing a vehicle in another state to avoid paying taxes and licenses this state in addition to the current penalty of twice the amount delinquent taxes and fees.

REVENUE REDUCTION MEASURES

CLEAN ALTERNATIVE FUEL VEHICLES - No 05-07 GENERAL FUND-STATE EFFECT

Second Substitute Senate Bill 5916 provides a sales and used tax exemption for new passenger cars, light duty trucks, and medium duty passenger vehicles, which are exclusively powered by a clean alternative fuel or which use hybrid technology. The exemption takes effect from January 1, 2009 through January 1, 2011.

HISTORIC PROPERTY - \$0.03 MILLION GENERAL FUND-STATE DECREASE

Substitute Senate Bill 5154 exempts from the leasehold excise tax leases of city property that is listed on a federal or state register of historical sites and is within a national historic reserve.

PROPERTY TAX ABATEMENT - \$0.05 MILLION GENERAL FUND-STATE DECREASE

Substitute House Bill 1502 provides for a reduction in property taxes on destroyed property or property damaged by a natural disaster in the year in which the destruction or damage occurred.

PROVIDING RENEWABLE ENERGY INCENTIVES - \$0.13 MILLION GENERAL FUND-STATE

Substitute Senate Bill 5101 allows individuals, businesses, and local governments to receive incentive payments from their light and power business for electricity they generate on their own property from wind, solar, or anaerobic digesters. Each light and power business is allowed a credit against their public utility tax for incentives payments made limited to one quarter of one percent of its taxable power sales, or \$25,000, whichever is greater.

INCENTIVES FOR MANUFACTURERS OF SOLAR ENERGY EQUIPMENT - \$0.13 MILLION GENERAL FUND-STATE DECREASE

Engrossed Second Substitute Senate Bill 5111 provides a business and occupation (B&O) tax rate for businesses manufacturing solar energy systems or the silicon components of these systems equal to the value of the product multiplied by 0.2904 percent until June 30, 2014. Taxes paid in manufacturing these systems are granted as a B&O tax credit.

PARKING AND BUSINESS IMPROVEMENT AREAS - \$0.15 MILLION GENERAL FUND-STATE DECREASE

Substitute Senate Bill 5999 exempts from state and city business and occupation taxes amounts received by a chamber of commerce or similar business association from cities or counties to administer a parking and business improvement area.

COMMUNITY HEALTH CENTERS - \$0.24 MILLION GENERAL FUND-STATE DECREASE

Senate Bill 5857 extends the deduction under the business and occupation tax for amounts received as compensation for health care services covered under Medicare, medical assistance, children's health, and the basic health plan to nonprofit community health centers and networks of nonprofit community health centers.

COMMUNITY AND TECHNICAL COLLEGE CAPITAL PROJECTS ACCOUNT- \$0.35 MILLION GENERAL FUND STATE

House Bill 1120 allows the community and technical college capital projects account to retain its interest earnings. The interest earnings currently go to the general fund.

LINKED DEPOSIT PROGRAM - \$0.6 MILLION GENERAL FUND-STATE DECREASE

The linked deposit program provides state certified minority-owned and women-owned businesses reduced interest rate loans for the purpose of increasing their access to capital. Senate Bill 5782 increases the amount of state invested funds available for the program from \$50 million to \$100 million. The bill also eliminates the sunset date of the linked deposit program and transfers the responsibility for monitoring the performance of the program loans from the Department of Community, Trade and Economic Development to the Office of the Minority and Women's Business Enterprises.

MILITARY DEPARTMENT ACCOUNTS - \$0.88 MILLION GENERAL FUND-STATE DECREASE

Companion bills Senate Bill 5340 and House Bill 1457 establish the Military Department Capital Account and the Military Department Rental and Lease Account. Funds in both accounts are subject to appropriation. All receipts from the sale of state-owned military department property will be deposited into the Military Department Capital Account. The costs of military department capital projects will be offset by funds in the capital account. All receipts from the rental or lease of state-owned military department property will be deposited into the Military Department Rental and Lease Account. The funds in the rental and lease account are only to be used for military property operating and maintenance costs.

SALES TAX EXEMPTION FOR REGIONAL TRANSIT AUTHORITIES - \$1.1 MILLION GENERAL FUND-STATE DECREASE

Substitute Senate Bill 5623 removes maintenance services for bus, rail, or rail fixed guideway equipment performed for a regional transit authority by another transit agency from the definition of a retail sale, thus exempting the services from the sales tax. The B&O rate on such services will increase from .471 percent to 1.5 percent.

SALES TAX EXEMPTION FOR EQUIPMENT USED FOR AGRICULTURAL FIELD BURNING - \$1.3 MILLION GENERAL FUND-STATE DECREASE

Second Substitute Senate Bill 5663 provides a sales and use tax exemption for machinery and equipment used to reduce the practice of field stubble burning for cereal grains and turf grass grown for seed production. The exemption also applies to the construction of hay sheds. The exempt machinery and equipment are specifically identified. The exemption expires January 1, 2011. The property tax exemption for machinery and equipment and the B&O tax credit for field burning costs set to expire January 1, 2006 are each repealed.

FRUIT AND VEGETABLE PROCESSING - \$7.1 MILLION GENERAL FUND-STATE DECREASE

Engrossed Substitute House Bill 2221 exempts fresh fruit and vegetable processing from business and occupation tax starting July 1, 2005. In addition, beginning July 1, 2007, exemptions are provided for the sales and use tax on the construction of and machinery and equipment used in fresh fruit and vegetable processing facilities and cold storage warehouses.

BUSINESS AND PROFESSIONS ACCOUNT – \$7.7 MILLION GENERAL FUND-STATE DECREASE

Substitute House Bill 1394 establishes a business and professions account. The fees from licensing and regulating thirteen business and professions that had been deposited into the General Fund will now be deposited in this account. The business and professions are: auctioneers; landscape architects; private investigators; bail bond agents; employment agencies; sellers of travel; timeshares; cosmetologists, barbers, and manicurists; court reporters; security guards; collection agencies; camping resorts; and notaries public.

BUDGET DRIVEN REVENUE

Budget Driven Revenue

(in millions)

	2006	2007	2005-07
Continue Liquor Surcharge	\$9.60	\$9.80	\$19.4
Dept. of Revenue Enhancement	\$6.10	\$9.10	\$15.2
LCB Shipping Capacity	\$2.90	\$6.10	\$9.0
LCB Budget Revision	\$1.33	\$1.33	\$2.7
Total			\$46.3

CONTINUATION OF LIQUOR SURCHARGE - \$19.4 MILLION GENERAL FUND-STATE INCREASE

The \$.42 surcharge on a liter of spirits imposed in the 03-05 operating budget is continued for the 05-07 biennium.

DEPARTMENT OF REVENUE ENCANCEMENT-\$15.2 MILLION GENERAL FUND-STATE INCREASE

Additional resources are provided to the Department of Revenue to increase real estate excise tax audits, out-of-state audits, and desk audits as well as increased out-of-state compliance enforcement.

LIQUOR CONTROL BOARD SHIPPING CAPACITY - \$9.0 MILLION GENERAL FUND-STATE INCREASE

The Liquor Control Board has reached its maximum shipping and storage capacity at its distribution center in Seattle. Increasing the shipping capacity will allow the Liquor Control Board to meet the demand for liquor sales.

LIQUOR CONTROL BOARD BUDGET REVISION - \$2.7 MILLION GENERAL FUND-STATE INCREASE

This revenue is derived from cuts in the Liquor Control Board's agency request budget.

CAPITAL BUDGET

CAPITAL BUDGET -- BIENNIAL COMPARISON

	--- Millions of Dollars ---					
	2003-05		2005-07 Prop.		Percent Change	
	Bonds	Total	Bonds	Total	Bonds	Total
Gov't Operations	180.9	685.5	211.3	639.3	17%	-7%
Human Services	253.3	345.7	269.7	310.7	6%	-10%
Natural Resources	228.0	626.9	255.4	782.5	12%	25%
Transportation	22.4	37.9	0.5	0.5	-98%	-99%
Higher Education	693.7	871.0	677.6	890.2	-2%	2%
Public Schools *	110.6	407.9	139.1	619.7	26%	52%
Other Education	12.4	12.4	7.7	7.7	-38%	-38%
Projects Total	1,501.3	2,987.4	1,561.2	3,250.6	4%	9%

** Bond amounts in Public Schools do not include bonds transferred through the Trust Land Transfer Program.*

The capital budget increases bond spending by two percent and total spending by nine percent. Major changes include:

- ✓ Construction of a new 1,280 bed prison at Coyote Ridge in Connell.
- ✓ An increase of \$212 million for school construction.
- ✓ A \$19 million increase in higher education construction.
- ✓ Large increases in Natural Resources for Water Pollution Control loans, clean up of toxic sites, and the Washington Wildlife and Recreation Program.

K-12 CAPITAL CONSTRUCTION

A total of \$605 million is funded for K-12 construction assistance grants. This amount includes an additional \$156.2 million for: (1) a proposed area cost allowance enhancement to the current matching formula to help offset the difference between actual and state formula construction costs of schools; (2) an increase in the amount of funded square feet per student at all grade levels; and (3) an increase in the amount paid for modernization projects. Finally, a total of \$14.6 million is provided for design, new construction, and small maintenance projects and equipment replacement at the ten vocational Skills Centers throughout the state.

In addition to these amounts, the conference budget includes \$6.5 million for grant allocations to school district's implementing high performance building standards into their school construction projects. The conference budget includes \$4.5 million for the second phase of a school mapping and safety project, which was initiated in the 2003-05 biennium. The conference budget also includes \$2.4 million for construction projects at the Chewelah Peak Environmental Learning Center and Camp Waskowitz.

HIGHER EDUCATION CAPITAL CONSTRUCTION

The Legislative capital budget provides \$677 million in state bonds and \$890 million in total funds for higher education. This includes \$389 million in state bonds for the community and technical college system and \$288 million in state bonds for the 4-year institutions. The Legislature accepted the recommendations of the prioritized capital project list for the 4-year schools and funds additional projects that reflect the statewide needs of expanding access and prioritizing facilities that benefit multiple schools.

Major 4-year projects include:

- Renovation of the Daniel J. Evans Library at The Evergreen State College
- Academic Instruction Center at Western Washington University
- Dean Hall Restoration Design at Central Washington University
- Renovation of Architecture Hall and Guggenheim Hall at the University of Washington
- Bioproducts Research Facility at WSU-Tri-Cities
- Riverpoint Nursing Building at WSU-Spokane
- Student Services Center Construction and Design of a Classroom Building at WSU-Vancouver

The budget also provides \$217 million in total funds for minor work and facility preservation at the 4-year campuses.

Major 2-year projects include:

- Bates Technical College: Learning Resource Center
- Edmonds Community College: Instructional Lab
- Everett Community College: Pilchuck/Glacier
- Green River Community College: Science Building
- Lower Columbia Community College: Instructional Fine Arts Building
- Peninsula Community College: Science and Technology Building Replacement
- Spokane Falls Community College: Business and Social Science Building
- Wenatchee Valley Community College: Anderson Hall and Portable Replacement
- Yakima Valley Community College: Glenn/Anthon Replacement

A NEW STATE PRISON

To relieve overcrowding, the capital budget funds the construction of a new prison at Coyote Ridge Corrections Center in Connell, Washington. The prison will include 1,280 medium security beds, 512 of which will be less expensive “hybrid” beds within a high security perimeter. In order to reduce operating costs for this prison, the department is directed to design the new prison with an assumption that some of the support and administrative functions will be provided by staff within the region, including the State Penitentiary.